

Staff Presentation – Rate Change

May 24, 2023



Your community. Your co-op. Your choice.



Thank You!

We remain committed to a responsible transition to a clean energy future that is equitable for all members.

We will increase our clean energy content to >90% by next year, motivating changes in our electric rates.

We appreciate the time members have taken to review these proposed rate changes and offer their comments.



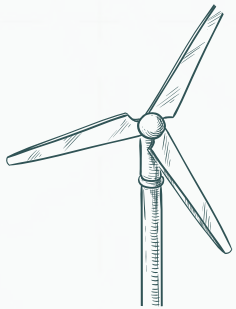
Topics for Today's Presentation

- Background
- Rate and Tariff Changes
- Impact on Members' Bills
- Public Comments to Date



Holy Cross Energy is leading the responsible transition to a clean energy future

Holy Cross Energy (HCE) provides safe, reliable, affordable and sustainable energy and services that improve the quality of life for our members and their communities.



In 2022, 50% of our power supply came from wind, solar, biomass and hydroelectric power, as well as coal mine methane recovery.

Founded in 1939, we serve more than 46,000 members in scenic Western Colorado with:

265 MW
Peak
Demand

3,100 Miles
Distribution
Lines

120 Miles
Transmission
Lines

165
Employees



Our Journey to 100% Clean Energy

These actions will allow HCE to achieve its vision of:

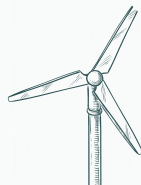
- 100% carbon-free power supply by 2030
- Carbon-neutral or better across the enterprise by 2035

in a way that ***does not sacrifice affordability, safety, or reliability*** for the sake of sustainability.



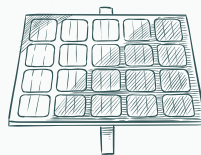
Energy Efficiency

Obtain an additional 0.25% per year in reduction of electric sales from existing uses.



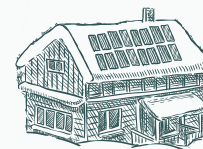
Cleaner Wholesale Power

Incorporate new, clean, dispatchable resources into HCE's power supply mix.



Local Clean Energy Resources

Continue our existing agreements for energy from local biomass, hydro, solar, & coal mine methane projects



Distributed Energy Resources

Support installation of at least 4 MW per year of new rooftop solar systems.



Smart Electrification

Encourage the expanded use of electricity for transportation, building heating and cooling, and industrial processes.



HCE is Supporting Renewable Energy

New Resources Developed or Under Contract:

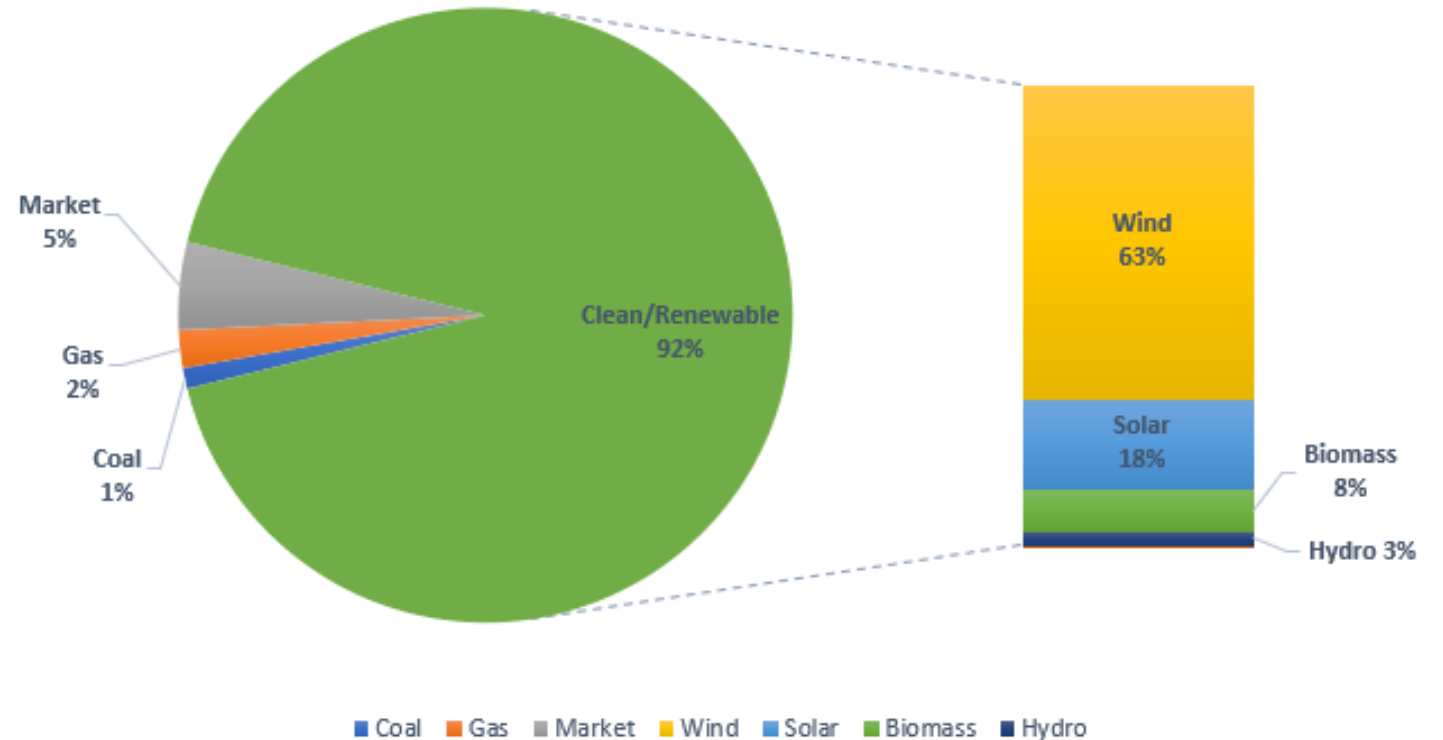
Eastern Colorado

- 150 MW wind
- 30 MW solar

HCE Service Area

- 5 MW solar
- 4.5 MW hydro
- 4.5 MW/15 MWh solar+storage
- 10 MW/20 MWh solar+storage
- 10 MW/20 MWh solar+storage

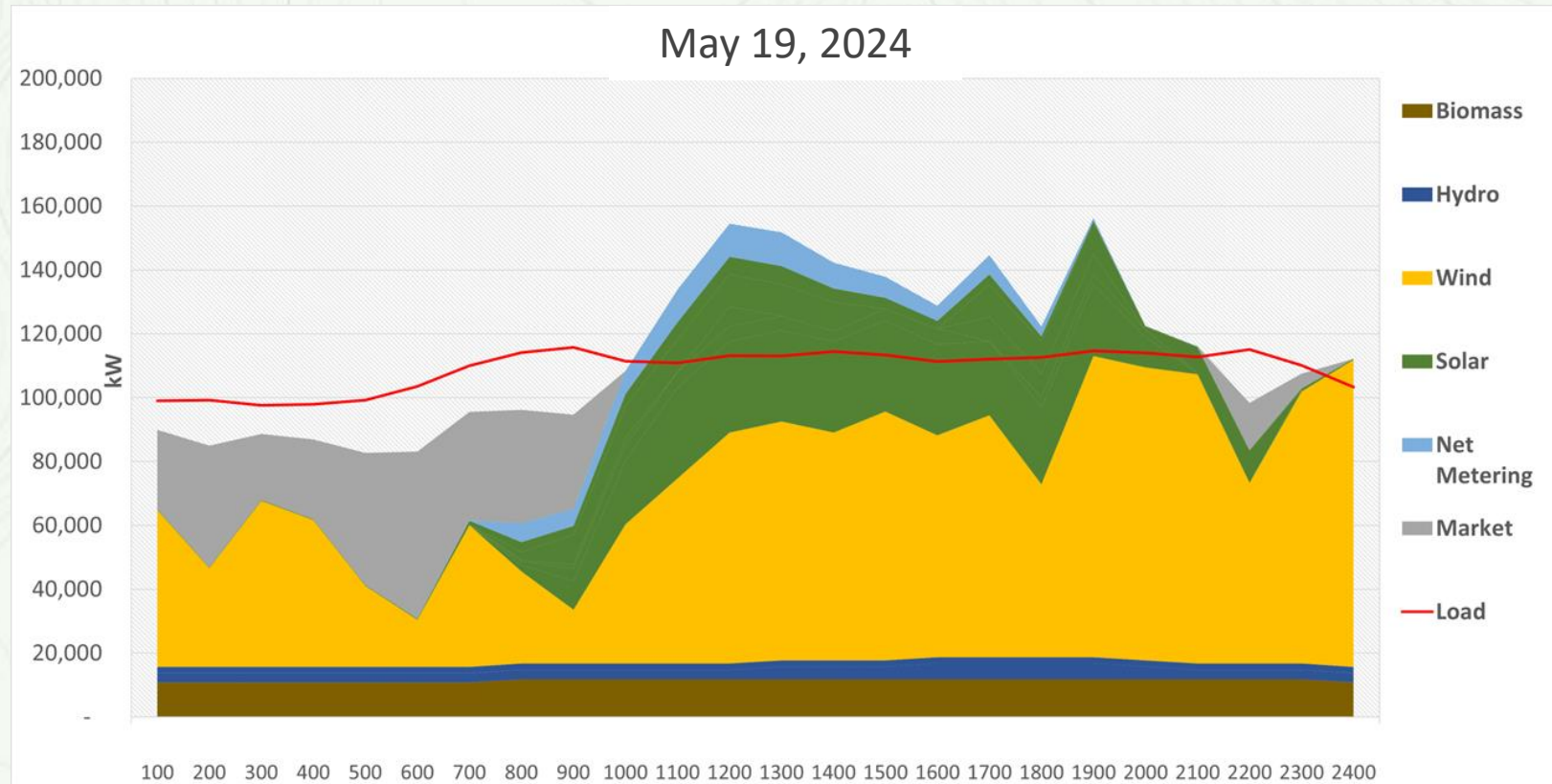
2024 Projected Energy by Fuel





Implications of High Renewables

- At high % of renewables, the variability of wind and solar is often mismatched with electric demand
- This means higher costs to store or curtail the excess energy during midday
- New renewables need to be paired with storage to avoid making this challenge worse



Rate and Tariff Changes

What is being proposed and why



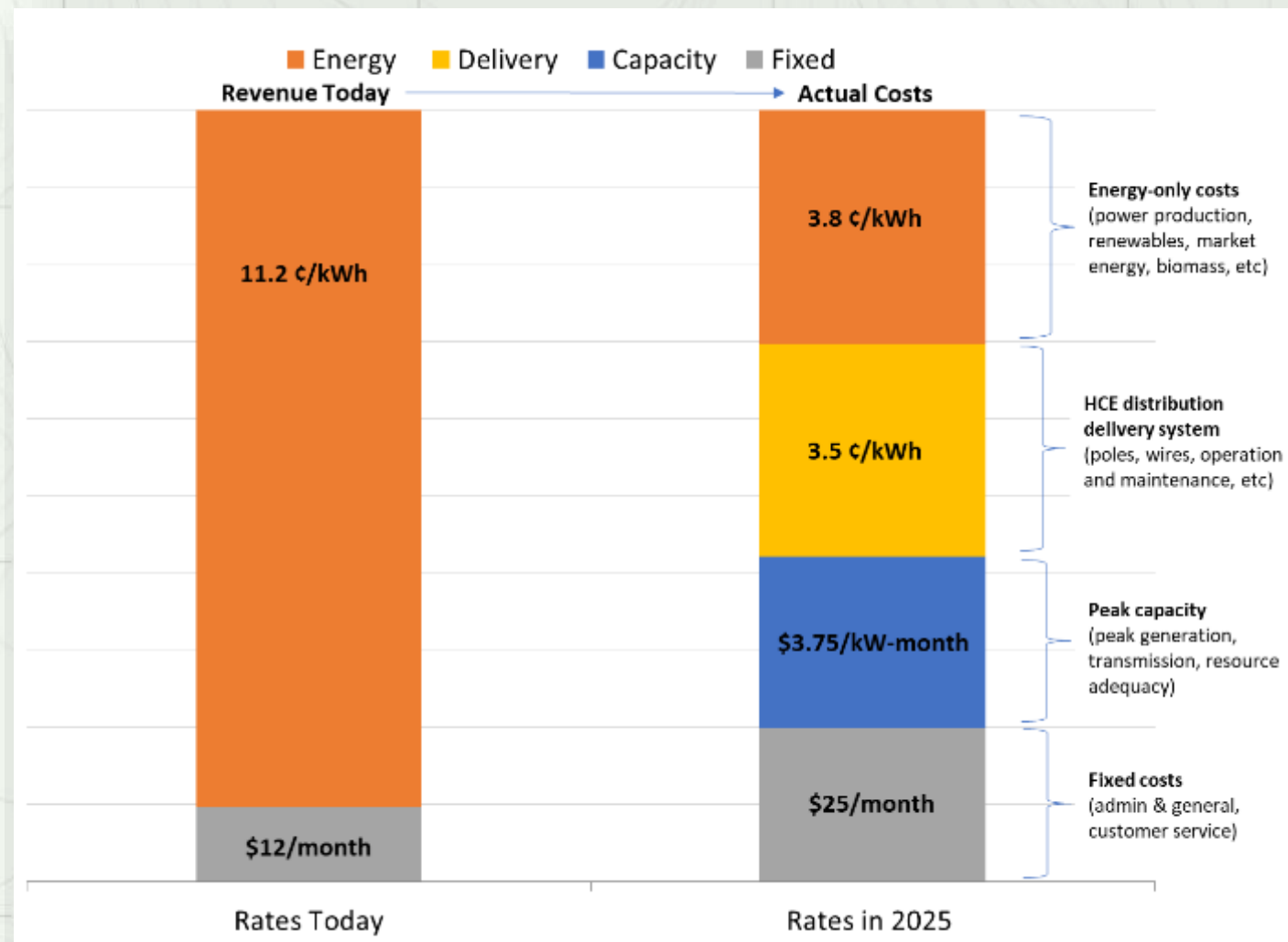
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HCE's Rates are Misaligned with Costs

- HCE's revenues are largely recovered today through an energy charge
- A "net zero" building is "net zero" revenue to support the grid under our current model
- More than half of our costs are **not** incurred by HCE based on the energy we purchase
- The proposed rate changes better align with how costs are actually incurred by HCE





Proposed New Rate Structure

Membership Fee
(fixed \$/month)

- Billing & collection
- Member service
- Community programs
- Shared services & overhead

Peak Demand Charge
(\$/kW/month)

- Capacity / Resource Adequacy
- Transmission Capacity

Delivery Charge
(\$/kWh delivered)

- Transmission delivery
- Distribution delivery
- Patronage capital

Energy Charge
(\$/kWh)

- Energy supply

WeCARE program fee
(2% of bill)

- Member programs



Proposed Residential Rate Transition

| | | 2023 (ECA) | 2023 | 2024* | 2025* |
|-------------------|----------------------|------------|----------------|---------|---------|
| Small Residential | Fixed (\$/mo) | \$12.00 | \$16.00 | \$21.00 | \$25.00 |
| | Demand (\$/kW 4-9pm) | - | \$1.25 | \$2.50 | \$3.75 |
| | Delivery (¢/kWh) | - | 3.5 | 3.5 | 3.5 |
| | Energy (¢/kWh) | 11.22 | 6.5 | 5.1 | 3.8 |
| Large Residential | Fixed (\$/mo) | \$28.00 | \$45.00 | \$62.00 | \$79.00 |
| | Demand (\$/kW 4-9pm) | \$5.32 | \$6.00 | \$6.75 | \$7.25 |
| | Delivery (¢/kWh) | - | 3.5 | 3.5 | 3.5 |
| | Energy (¢/kWh) | 8.42 | 4.5 | 4.1 | 3.8 |

* Rates shown are based on 2023 costs.

Rates for 2024 and 2025 may differ based on budgets for those years.



Proposed Commercial Rate Transition

| | | 2022 (ECA) | 2023 | 2024* | 2025* |
|------------------|----------------------|------------|----------------|---------|----------|
| Small Commercial | Fixed (\$/mo) | \$18.00 | \$20.00 | \$23.00 | \$25.00 |
| | Demand (\$/kW 4-9pm) | - | \$2.00 | \$4.00 | 6.00 |
| | Delivery (¢/kWh) | - | 3.5 | 3.5 | 3.5 |
| | Energy (¢/kWh) | 10.22 | 5.6 | 4.7 | 3.8 |
| Large Commercial | Fixed (\$/mo) | \$28.00 | \$62.00 | \$96.00 | \$130.00 |
| | Demand (\$/kW 4-9pm) | \$6.11 | \$7.00 | \$7.75 | \$8.50 |
| | Delivery (¢/kWh) | - | 3.5 | 3.5 | 3.5 |
| | Energy (¢/kWh) | 8.0 | 4.4 | 4.1 | 3.8 |

*** Rates shown are based on 2023 costs.**

Rates for 2024 and 2025 may differ based on budgets for those years.



Benefits of New Rate Structure

- The new structure better aligns our revenue with the way costs are incurred to operate our electric grid
 - HCE no longer depends on increasing sales of electricity to keep the lights on
 - Members only pay for the energy and the grid services they use each month
- Addresses \$2.6 million/year in cross-subsidy from non-solar to solar members who pay less to use the HCE grid under net metering policy
- Allows HCE to more actively promote member investments in self-generation, storage, energy efficiency, and electrification
 - Enables a range of potential electricity price options (flat rate, TOU, dynamic)

Impacts on Member Bills

How the rate change affects the member



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Bill Comparison Calculator

- Members can determine their individual bill impacts by using the Bill Comparison Calculator (<http://holycross.com/rates>)
- In general, monthly bills will change by +/- 10% depending on electricity use
 - Members with high demand see higher bills
 - Some high kWh users may see lower bills
- Largest impacts from increase in membership fee, new demand charge

Bill Comparison Calculator

Energy (kWh)

Box #1 - Enter the kWh total from your "Energy Charge" line item.

1,000 kWh

Demand Charge (kW)

Box #2 - Enter the demand measurement in kW from your "Demand Charge" line item.

4 kW

Previous Rate Structure

| LINE ITEM | UNITS | COST |
|---------------------------------|-------|----------|
| Membership Fee | ... | \$12.00 |
| Energy Charge (\$0.112 per kWh) | 1,000 | \$112.00 |
| - | ... | ... |
| - | ... | ... |
| WECARE (2% Surcharge) | ... | \$2.48 |

Total - \$126.48

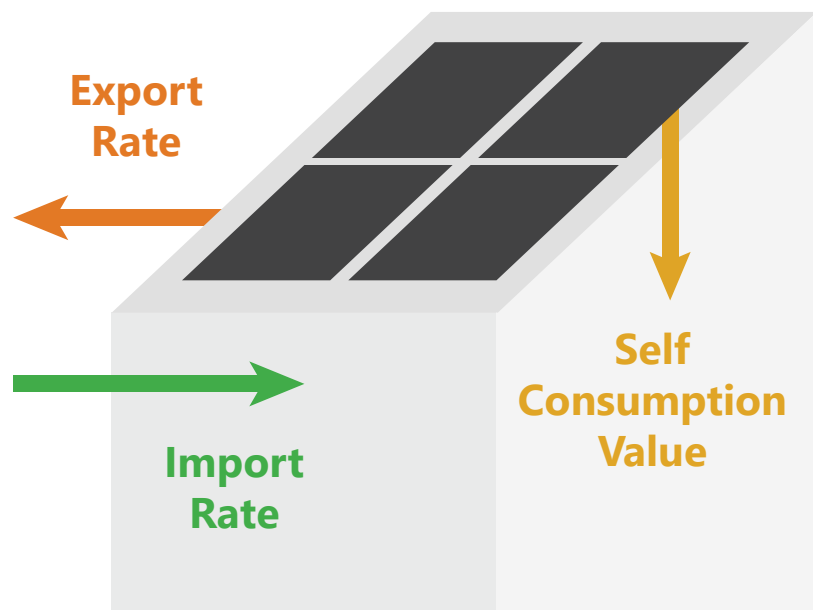
New Rate Structure

| LINE ITEM | UNITS | COST |
|-----------------------------------|-------|---------|
| Membership Fee | ... | \$16.00 |
| Energy Charge (\$0.065 per kWh) | 1,000 | \$65.00 |
| Delivery Charge (\$0.035 per kWh) | 1,000 | \$35.00 |
| Demand Charge (\$1.25 per kW) | 4 | \$5.00 |
| WECARE (2% Surcharge) | ... | \$2.42 |

Total - \$123.42



Impacts on Rooftop Solar



HCE members self-consume ~40%
of production

| Existing Rate Design (Small Residential) | |
|---|-------------|
| Export Rate | 11.22 c/kWh |
| Import Rate | 11.22 c/kWh |
| > Energy | 11.22 c/kWh |
| > Delivery | --- |
| Self-Consumption Value | 11.22 c/kWh |
| Annual Excess Production (Bank) Payout | 4.4 c/kWh |

| New Rate Design: 2025 Estimated Rates (Small Residential) | |
|---|-----------|
| Export Rate | 3.8 c/kWh |
| Import Rate | 7.3 c/kWh |
| > Energy | 3.8 c/kWh |
| > Delivery | 3.5 c/kWh |
| Self-Consumption Value | 7.3 c/kWh |
| Annual Excess Production (Bank) Payout | 3.8 c/kWh |



Two Options for Existing Solar Owners

- To mitigate the negative impact of this change on existing solar owners, two options will be offered to current net metering members.
- The purpose of these options is to hold existing solar owners harmless from the delivery charge impact for 10 years.

OPTION 1

Maintain current combined energy charge (energy + delivery) for ten years.

OPTION 2

Receive a bill credit to move to separate energy and delivery usage charges September 1.



Impact to New Solar Installations

| | |
|-----------------|-----------------|
| System Cost | \$26,250 |
| ITC | \$7,380 |
| HCE Rebate | \$1,650 |
| <hr/> | |
| Net Cost | \$17,220 |

| Rate Structure | Simple Payback (Years) |
|-------------------------------|-------------------------------|
| <hr/> | |
| Today's Rates | 13.86 |
| New Rates (40% Self-Consume) | 21.54 |
| New Rates (80% Self-Consume)* | 15.97 |

*Could be achieved through smart heating/cooling, managed electric charging, on-site battery storage, or switch to Time-of-Use rates.



How Can I Reduce My Bill?

Self-Consumption of Solar PV

- Change behavior to avoid delivery charges by using more energy during high production hours and less at other times

Enroll in Peak Time Payback

- Get notices from HCE to reduce energy use during key times
- Payback rate increased by 50% (to \$1.50/kWh on some events)

Change Behavior

- Move energy use out of the 4-9 pm peak demand window, where possible
- Avoids Demand Charge

Power+ Program

- Get batteries with zero down and zero fees
- Avoid demand charge and delivery charges (when paired with solar PV)

Energy Efficiency Rebates

- HCE offer 25% of energy efficiency project costs up to \$5,000 for residential members
- Rebates also available for commercial members

Choose a Time of Use Rate

- No demand charge
- 4x net metering value during peak hours (4-9 pm)
- Lower energy charges at other times

Public Comments to Date

What our Members are Saying



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Public Outreach Efforts

February 2023

- Placed rate change notice in local papers
- Met with local non-profit partners (CORE, CLEER, WMSC)
- Pre-briefed primary solar installer partners (GES, Active Energies and Sunsense)
- Held meeting with 44 local solar installers attended representing majority of those companies active in the HCE service territory
- Reached out to local municipalities and counties (Aspen, Snowmass, Basalt, Carbondale, Gypsum, Eagle, Avon, Vail, Pitkin County, Garfield County, Eagle County)
- Reached out to large commercial accounts (Aspen Ski Co, Vail Resorts, ERW&S, Aspen & Eagle School Districts, Alpine Bank, etc.)

March - April 2023

- Launched new website pages
 - new rate structure, including ways to save on future bills
 - options for existing solar owners
 - member comment form on website to collect feedback, comments, and questions
 - bill calculator for all members, including solar owners
- Sent (by email and hard copy) letters explaining the rate changes and the options offered by HCE to minimize impact
- Continued to meet with key accounts, municipalities, counties
- Responded personally within 36 hours to all comments and questions posed by members via email, phone or in person
- Conducted traditional and digital media campaign to communicate proposed rate changes and member impacts
- Extended written public comment period to May 15th
- Announced May 24th Public Comment Session



Public Comments Received

| # | Type of comment or feedback |
|------------|---|
| 77 | HCE going against its clean energy goals, punishing current and future solar members |
| 51 | Questions regarding NEM options offered (which option should I choose?) |
| 45 | Multiple comments (rate change is illegal, bad policy, and unnecessary) |
| 36 | Changes are unnecessary, slowing Colorado energy goals, HCE not in financial distress |
| 32 | Against proposed rate changes, used calculator and concerned about future high bills |
| 24 | Changes would negatively impact low-income members |
| 13 | Questions regarding Power+ battery storage program |
| 10 | HCE is violating Colorado net metering law |
| 8 | New proposed rate structure is a step in the right direction |
| 7 | Negative impact on beneficial electrification and future solar efforts |
| 6 | Questions not related to rate changes |
| 1 | Questions regarding EV charging |
| 310 | Total written comments submitted (does not include all calls or personal contacts) |



HCE is a Not-For-Profit Cooperative

- All HCE margins are invested back into the system, used to stabilize future electric rates, or returned to members
 - Margin for a cooperative is NOT the same as profit for a company
- Annual Financial Report (Form 7)
 - Shows all revenue and expenses
 - Available on HCE website
- Tax Return (Form 990 – Tax Exempt Organization)
 - Updated in 2022 based on Auditor recommendations
 - Listed additional employees under Executive Compensation
 - Recategorized employee 401(k) contributions as Investment Expense



Why is HCE Raising Rates Now?

- HCE's revenue requirements projected to grow by 2.5%/year over the next 10 years (4% in near term)
 - Labor and materials cost increases
 - Transmission investments (Avon-Gilman; also HCE share of PSCo Power Pathways)
 - Higher interest rates
- HCE has avoided \$29 million in power supply cost since 2019
 - Shift to contracted clean energy projects vs. wholesale contract
 - Enabled investments in grid modernization, cybersecurity, wildfire risk reduction with minimal rate impact
 - Fewer opportunities to continue this in the future



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